

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

COMPLETED

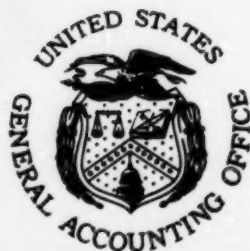
ORIGINAL

Limited Progress Made In Consolidating Grants To Insular Areas

Title V of Public Law 95-134 allows Federal agencies to consolidate grants to U.S. Insular Areas--Virgin Islands, Guam, American Samoa, Trust Territory of the Pacific Islands, and Government of the Northern Mariana Islands. Grant consolidation provides a means to minimize the administrative and financial burden associated with the Federal grant process.

Because title V is discretionary, all Federal agencies have chosen to consolidate grants, and those that have are approaching consolidation differently and conservatively. Further, Federal agencies are restricting the Insular Areas' flexibility to redirect funds to meet local needs and are applying varying interpretations to the provisions of title V.

To deal with these issues, the Congress should amend title V.



Request for copies of GAO reports should be sent to:

**U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20760**

Telephone (202) 275-6241

The first five copies of individual reports are free of charge. Additional copies of bound audit reports are \$3.25 each. Additional copies of unbound report (i.e., letter reports) and most other publications are \$1.00 each. There will be a 25% discount on all orders for 100 or more copies mailed to a single address. Sales orders must be prepaid on a cash, check, or money order basis. Check should be made out to the "Superintendent of Documents".

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

LIMITED PROGRESS MADE
IN CONSOLIDATING GRANTS
TO INSULAR AREAS

D I G E S T

Title V of Public Law 95-134 was passed to ease the Insular Areas' burden of applying for and reporting on Federal grant and assistance programs. Under the law, Federal agencies are allowed to consolidate any or all grants to the U.S. Insular Areas--Virgin Islands, Guam, American Samoa, Trust Territory of the Pacific Islands, and the Government of the Northern Mariana Islands.

The Congress saw grant consolidation as a way of easing the Insular Areas' burden of participating in Federal assistance programs by providing for

- simplified application and reporting procedures,
- waiver of local matching fund requirements, and
- flexibility to redirect Federal funds to address locally perceived needs.

Many Federal agencies are not consolidating grants; those that are, are limiting the number of programs available for grant consolidation. In fiscal year 1979, one or more Insular Area governments participated in 203 financial assistance programs for a total of \$209 million. As of January 1981, 51 programs, or 25 percent, were being offered for consolidation.

Furthermore, most Federal agencies have not (1) simplified or modified the application, reporting, matching, and related program requirements, and (2) allowed the Insular Areas to redirect Federal funds to address locally perceived needs. As a result, the Insular Areas are not realizing the benefits that the Congress intended.

THE GRANTS BURDEN
IS NOT BEING EASED

Of the 17 agencies which provided financial assistance in fiscal year 1979, 12 agencies and 2 of the 4 major components of another had not participated, as of January 1981, in assisting Insular Area governments to realize the benefits of title V. These agencies administered 96, or 47 percent, of the 203 programs in which one or more Insular Area governments participated. (See pp. 7 and 8.)

The four Federal agencies and two components of another that are participating are limiting the number of programs available for grant consolidation. These agencies administered 107 of the 203 assistance programs. Fifty-six programs, representing 52 percent of those available, are not being offered for consolidation by participating agencies. By law, grants under the Aging and Vocational Rehabilitation programs cannot be consolidated. But a large number of grants, mainly project grants, are being excluded because of their competitive nature and the perceived administrative complexity of including them in consolidated awards. (See p. 10.)

Federal agencies have interpreted differently which application, reporting, matching, and related program requirements should be retained or modified for consolidated grants. Some agencies have modified or waived these requirements. But most have retained existing program requirements, believing that individual program regulations are unaffected by title V provisions and are needed to accomplish the purposes of the individual programs included in the consolidated grants. However, it is these program requirements that Insular Area governments contend are causing the administrative burden. (See p. 17.)

Finally, the fund allocation flexibility attendant to participation in consolidated grants is being affected by Federal agencies, although the act seems clear that fund allocation determinations rest totally with the Insular Areas. Some agencies have placed

outright restrictions on Insular Areas' authority to shift funds among the programs. Other agencies have retained existing program regulations which require minimum expenditures for certain purposes. The application of these restrictions and regulations may be undermining the explicit fund allocation flexibility granted to the Insular Areas by title V. (See p. 23.)

VIEWS OF INSULAR AREA OFFICIALS

Insular Area officials were generally supportive of Federal agencies' consolidation efforts. However, they wanted Federal agencies to do more. Specifically, they expressed the need for

- several nonparticipating agencies to consolidate grants; (see p.9)
- participating agencies to include additional grants among those eligible for consolidation; (see pp. 13 to 16)
- minimal application, reporting, and program requirements; (see pp. 17 and 20) and
- waiver of non-Federal matching requirements and unrestricted ability to reallocate funds (see pp. 21 and 25).

CONCLUSIONS

Clearly, Federal agencies have not responded enthusiastically to title V's objective of minimizing the Insular Areas' burden associated with Federal financial assistance programs. One problem is the lack of clarity in the act as to how much authority is vested in Federal agencies to change existing program rules and regulations. Another problem seems to be that many Federal officials believe a major drawback of consolidation is that individual program objectives would not be fulfilled. These Federal officials could not or would not look beyond the specific purposes of categorical grants and individual program requirements, or they felt that the Congress did not want them to.

In one way or another, this attitude is reflected in the Federal agencies' approaches to accomplishing title V's objective. Some agencies, such as the Department of Agriculture, decided not to consolidate grants. The Departments of Education and Health and Human Services left out project grants. The Department of Housing and Urban Development and the Environmental Protection Agency required that some money be spent in each program included in the consolidated grant.

RECOMMENDATION

GAO recommends that the Congress amend title V where necessary to address such questions as:

- Should Federal agencies be required to consolidate grants, and which financial assistance grants should be required to be included in the consolidations?
- May Federal agencies properly modify existing rules and regulations of programs included in consolidated grants and what is the scope of their authority to do so?
- Should all Federal agencies be required to waive all matching requirements?
- May restrictions properly be placed on the Insular Areas' flexibility to allocate funds under a consolidated grant?

AGENCY COMMENTS

Copies of this report were provided for comment to the 5 Insular Areas, the Office of Management and Budget (OMB), and the 11 Federal agencies included in our review. Comments were received from Guam, American Samoa, Northern Mariana Islands, Virgin Islands, the Trust Territory of the Pacific Islands, OMB, the Departments of Health and Human Services, Education, Interior, Agriculture, and Transportation, the Environmental Protection Agency, and the Federal Emergency Management Agency. (See p. 30 and app. III to XVII.)

General agreement was expressed for the need to clarify several sections of title V. The Governors of Guam and American Samoa stated that they were not realizing the benefits intended by title V and that unless the concerns discussed in this report were properly addressed, their attempts to consolidate grants would not be cost effective. Several Federal agencies, however, did not believe that matching requirements should be waived or that all types of grants should be consolidated.

OMB and some agencies commented that enactment of the administration's block grant proposals would alleviate many of the problems in that matching would be waived, fund flexibility would be enhanced, and burdensome application and reporting requirements would be relieved. OMB suggested that congressional review of title V include the effect of these proposals as well as other grant reform initiatives. Health and Human Services added that with the enactment of its four proposed block grants, the provisions of title V and amendments thereto would be less important.

To the extent that the block grants are enacted as proposed, and to the extent a large number of programs are included, GAO agrees. But GAO notes that many programs are not included in block grant proposals and, therefore, the title V consolidation approach will continue to be useful. Further, the approach could be beneficial to Insular Areas seeking to consolidate several block grants or a block grant with categorical programs.

BLANK

Contents

		<u>Page</u>
DIGEST		1
CHAPTER		
1	INTRODUCTION	1
	The Federal assistance system: its suitability for the Insular Areas	1
	Objectives, scope, and methodology	4
2	EFFORTS TO MINIMIZE THE GRANTS BURDEN WERE LIMITED	6
	Many Federal agencies are not offering consolidation or other benefits under title V	7
	Participating agencies are limiting grants eligible for consolidation	10
	Limited efforts to simplify and modify application, reporting, and related program requirements	17
	Fund allocation flexibility is being restricted	23
	Conclusions	28
	Recommendation	29
3	AGENCY COMMENTS AND OUR EVALUATION	30
	Agency comments on the questions raised in our recommendation	31
	Other comments	33
APPENDIX		
I	Description of Insular Areas	36
II	Status of Federal agency participation in title V as of January 1981	40
III	Letter dated April 1, 1981, from the Governor of Guam	41
IV	Letter dated April 7, 1981, from the Governor of American Samoa	42
V	Letter dated April 7, 1981, from the High Commissioner of the Trust Territory (Office of Education)	43

APPENDIX

Page

VI	Letter dated April 10, 1981, from the Acting Assistant Secretary, Department of Education	53
VII	Letter dated April 10, 1981, from the High Commissioner of the Trust Territory (Office of Planning and Statistics)	57
VIII	Letter dated April 13, 1981, from the Department of the Interior	61
IX	Letter dated April 13, 1981, from the Acting Assistant Administrator for Planning and Management, Environmental Protection Agency	63
X	Letter dated April 13, 1981, from the Acting Director, Federal Emergency Management Agency	67
XI	Letter dated April 15, 1981, from the High Commissioner of the Trust Territory (Office of Program and Budget)	69
XII	Letter dated April 20, 1981, from the Acting Deputy Associate Director for Intergovernmental Affairs, Office of Management and Budget	72
XIII	Letter dated April 24, 1981, from the Acting Assistant Secretary for Admini- stration, Department of Transportation	73
XIV	Letter dated April 30, 1981, from the Assistant Secretary for Administration, Department of Agriculture	76
XV	Letter dated May 11, 1981, from the Governor of the Northern Mariana Islands	78
XVI	Letter dated May 11, 1981, from the Acting Inspector General, Department of Health and Human Services	80
XVII	Letter dated May 22, 1981, from the Federal Programs Coordinator, Virgin Islands	84

ABBREVIATIONS

CETA	Comprehensive Employment and Training Act
DOT	Department of Transportation
EPA	Environmental Protection Agency
FEMA	Federal Emergency Management Agency
HCFA	Health Care Financing Administration
HDS	Human Development Services
HEW	Department of Health, Education, and Welfare
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
OMB	Office of Management and Budget
PHS	Public Health Service
SSA	Social Security Administration